**USING THIRD-PARTY
INFORMATION TO
IMPROVE THE
ADMINISTRATION OF THE
INCOME (PATENT) TAX
ON SMALL BUSINESSES
AND THE SELF-EMPLOYED
IN BULGARIA**

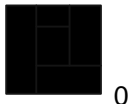Prepared for

Prepared by

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September 1998
UI Project 06610-219, Task 2.2

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USING THIRD-PARTY INFORMATION TO IMPROVE THE ADMINISTRATION OF THE INCOME (PATENT) TAX ON SMALL BUSINESSES AND THE SELF-EMPLOYED IN BULGARIA

INTRODUCTION AND PURPOSE OF THE REPORT

The fiscal decentralization pilot project in Plovdiv, Bulgaria includes Task 2.2 of RFS 219. This task investigates using third-party information to improve the administration of the income tax on the self-employed and small business owners operating in Plovdiv (called "Patent tax"). This task is closely related to Task 2.3, which proposes to design a management information system for tax and fee administration in Plovdiv, to be used to improve collection and administration of all municipal taxes and fees collected by both the Regional Tax Office (RTO) and the Municipality of Plovdiv (see Annex 1 for a list of taxes and fees collected in Plovdiv).

The Patent tax became effective in January 1998 and was introduced to solve a specific problem of non-payment of taxes among small business owners and the self-employed. According to RTO and municipal officials, this class of entrepreneurs were not reporting all of their business income in their tax reports, and were thus avoiding making complete tax payments. RTO and municipal officials believed that these entrepreneurs lack the experience and discipline necessary to accurately record and report their turnover and profit. Therefore, the Patent tax was introduced and is not based on levels of income, but is based on surrogate measures of economic activity, such as the number of beds in a small hotel, seats in restaurant, and numbers of workers in small service establishments, etc.

It is still believed by a number of local officials that a large number of these small business are either reporting their tax liability incorrectly, or are not registering at all. It is further believed that by gaining access to information collected by other offices, agencies and institutions in Plovdiv, that the RTO will become more efficient in the administration of this tax.

The purpose of this task is to examine the administration and collection of the Patent tax in Plovdiv, Bulgaria and to explore:

Any methods, such as using information collected in Plovdiv by other agencies, that could make tax collection more efficient and complete.

The feasibility of transferring the responsibility of Patent tax collection from the RTO to the municipality.

Description of the Patent Tax

The current version of the Patent tax was introduced as a new form of income tax on self-employed persons and small entrepreneurs on January 1, 1998. The Patent tax was first introduced in 1987 and was used for one category of employment - craftsmen. Abolished in 1991, it reappeared in 1998 to solve a specific problem of non-payment among small business owners and the self-employed. The proceeds of this tax are shared equally between municipalities and the central government, following the same formula as the regular income tax on individuals (50 percent to each level of government).

According to State law [1], enterprises which are local legal persons and have an annual turnover of up to 75 million BGL (about $45,000), are subject to the Patent tax. Mr. Gencho Nedev, Financial Analyst for the Ministry of Finance's RTO in Plovdiv, estimates that this includes about 60 percent of all entities (individuals and businesses) with commercial activities in Plovdiv.

Between January 1 and March 31, 1998 (the deadline for registrations), Plovdiv residents registered 10,559 entities that have to pay the patent tax: 559 individuals, 8000 one-person companies, and 2000 enterprises. Mr. Nedev believed after this initial round of registrations that approximately 1000 entities that should have registered to pay the patent tax evaded the process. This was based on a survey of known taxi drivers. This initial estimate was partly confirmed later in the year when another 639 entities registered late to pay the patent tax, for a new total of 11,198 tax objects.

The Patent tax is based on surrogate measures of economic activity rather than on the actual income or profit. For example, the tax is levied on the number of seats in a restaurant, or number of beds in a hotel, rather than on the gross or net proceeds from the business. Two restaurants, for example, which have the same number of seats, pay the same amount of patent tax (BGL 20,000 per seat per year) regardless of the differences of their real turnover and profit. Both sets of local officials (RTO and the Municipality of Plovdiv) stated that they believe that the Patent tax is very imprecise and is only necessary because these individuals are not declaring accurate income and/or are not keeping records of their transactions. Although necessary at the moment, local officials believe that the tax will be removed in approximately three years, once small entrepreneurs get used to paying taxes and keeping better records.

The Patent tax is a self-reporting tax in Bulgaria. Self-employed persons and small business owners are responsible for registering their activities in one of the six

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[1] Republic of Bulgaria, National Assembly. *Taxation of the Income of Natural Persons Act.* Promulgated 10.12.1997.

sub-districts of the RTO in which their activity is located[2]. If, by the end of the year, their turnover is less than 75 million BGL, they must pay the Patent tax.

Revenues from the Patent Tax

Total revenues from the Patent tax were difficult to estimate for the 1998 municipal budget without accurate records of the number of small businesses and self-employed individuals. Figure 1 shows the Municipality's estimated revenues from their planned budget for 1998. The municipal budget shows two categories of revenue: own source revenues and state transfers. Summed together, they comprise the column of "total revenues". As can be seen from Figure 1, the Municipality estimated that they would receive approximately 3.15 billion BGL (about $1.85 million) from their 50 percent share of the Patent tax in 1998. This amounts to 5.5 percent of their own-source revenues, and 4.3 percent of their total revenues. The RTO's original estimates were somewhat lower; they expected the Municipality would receive approximately 3.0 billion BGL.

After 639 late registrations were added to the initial registration drive which ended March 31, 1998, the RTO was able to provide the first realistic estimates of revenue from the Patent tax. The complete list of Patent tax categories along with the numbers of objects by category is provided in Annex 2. According to this list, the tax was expected to yield a total of 4.7 billion BGL, or 2.36 billion BGL for the Municipality. This is about 75 percent of the amount estimated by the Municipality, and 79 percent estimated by the RTO for the Municipality's share. Some of this reduction is due to the fact that two classes of businesses successfully challenged the tax rates in the new law: taxi services now pay 450,000 BGL vehicle, rather than 600,000 BGL, and auto repair services now pay 500,000 BGL for each employee after the first, rather than 2,000,000 BGL.

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[2]Ms. Manda Stoyanova, Deputy Chief, Regional Tax Office *Report for the Administration of Taxes and Fees.* Ministry of Finance, Plovdiv, Bulgaria, 1998.

Figure 1:   1998 Plovdiv Municipal Revenues
        (based on Municipality of Plovdiv estimates[3])

Type of Revenue	Amount (BGL 000)	Percent own Source Revenues	Percent Total Revenues
Taxes			
Profit tax from non-municipal enterprises	18,812,200	32.9	25.9
Income tax	22,730,000	39.7	31.3
Patent tax	3,100,000	5.5	4.3
Property tax	850,000	1.5	1.2
Other local taxes (vehicle, inheritance, donation)	1,685,000	2.9	2.3
Other taxes combined	263,800	0.4	0.3
Total taxes	47,443,000	82.9	65.3
Fees			
Garbage collection	3,500,000	6.1	4.8
Other fees combined	1,755,000	3.1	2.4
Total fees	5,255,000	9.2	7.2
Other local revenue	4,534,000	7.9	6.2
Total own-source revenue	57,232,000	100.0	78.8
State transfer to Plovdiv	15,413,000		21.2
Grand total municipal revenue	72,645,000		100.0

The RTO further reduced its estimate of Patent tax revenues for 1998 in September. Based on actual revenues collected through September 15, the RTO now estimates that the tax will yield an annual amount of about 3.512 billion BGL, or 1.756 billion BGL for the Municipality. Although this is about 60 percent of the RTO's original estimate, the actual amount won't be known until the end of the year. However, these latest estimates are perhaps the most realistic to-date, as they are based on revenues actually collected.

Discovery and Enforcement of Patent Tax Objects

The Law on Local Taxes and Fees and the Income Tax Law requires that persons submit Patent tax declarations and tax payments to the sub-district office of the Regional Tax Office where their small business exists. In Plovdiv, the RTO's six sub-districts coincide with the Municipality's six legal districts (raions), each with its own

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[3]Stefan Ivanov, *Analysis of the Budget of the Plovdiv Municipality*. For USAID/Bulgaria. Sofia, Club 2000 Economika, 1998.

elected mayor and district council. Interviews with Ms. Elena Shishkova, Director of the RTO's South Sub-District, affords a closer view of discovery and enforcement in one of Plovdiv's largest sub-districts. The South District is made up of 50 percent residential land uses and the remainder largely industrial. Ms. Shishkova estimates that the 2400 Patent tax objects that registered their activities represent only 60 to 80 percent of legitimate Patent tax objects who are supposed to register to pay the Patent tax in her district.

The South District employs 57 tax enforcement officials. For inspection purposes, the RTO subdivides the South district into 21 micro districts. Two tax inspectors are assigned to each micro district (on a rotating basis - to avoid familiarity and the potential for corruption). Working in pairs (one senior and one junior), the inspectors walk the micro district and inspect businesses randomly, checking for registration documents for all taxes (not only the Patent tax). Since April 1998, the inspectors in the South District have discovered seven small businesses that have failed to register (out of 800 estimated by Ms. Shishkova). These individuals have had to pay the original tax and an additional fine of 150 percent of the original tax as their punishment.

Ms. Shishkova feels that the large number of undetected tax objects are very small businesses that do not advertise. They are self-employed individuals who conduct business out of their private homes. Examples are individuals (often retired) working out of their apartments, like hair dressers and dog groomers, and small auto mechanics operating out of their private garages. They are nearly impossible for the inspectors to detect, unless informed upon by one of their neighbors. Tax inspectors have been much more successful in detecting false information on the tax registration forms (finding more employees or restaurant seats or hotel beds than reported, for example), rather than detecting evaders.

The current practice of attempting to identify all patent tax evaders might be called into question from a cost-effectiveness perspective. Over 54 categories of enterprises need to register and pay the Patent tax in Plovdiv. In some cases these categories only yield a small amount of revenue (see Annex 2 for a complete list of Patent tax categories and revenue generated by each group). An examination of the list in Annex 2 reveals that 14 (26 percent) of the categories includes 88 percent of the patent tax registrants, and produces 84 percent of the annual Patent tax revenues (see Figure 3). It may make it necessary to take a more strategic approach and prioritize the categories in terms of which is paying the most revenue to the Government.

Figure 3:   Largest Patent Tax Contributors in Plovdiv - 1998

Activity	Unit Measure	Number of Units	Number of Registrations	Tax Rate Per Unit (BGL)	Total Patent Revenue (BGL 000)	Percent of Total Patent Revenue
Wholesale Warehouses	Square Meters	9,049	348	80,000	723,920	15.3
Retail Shops under 20 sq. m	Shops	6,304	5,927	80,000	504,320	10.7
Taxi Service	No. of Vehicles	978	515	450,000	440,100	9.3
Production (other than food)	No. of Workers	1,625	767	250,000	406,250	8.6
Trucking (over 4 tons)	No. of Vehicles	278	247	1,400,000	389,200	8.2
Auto Repair	First Worker Add'l Workers	11,693	116	2,000,000 500,000	278,500	5.9
Cafeterias	No. of Seats	21,300	902	12,000	255,600	5.4
Restaurants	No. of Seats	8,787	205	20,000	175,740	3.7
Appliance Repair	No. of Workers	240	181	650,000	156,000	3.3
Bus Service (over 20 seats)	No. of Vehicles	148	105	1,000,000	148,000	3.1
Other Auto Services	No. of Workers	121	102	1,200,000	145,200	3.1
Metal Processing	No. of Workers	198	151	600,000	118,800	2.5
Tailor Services	No. of Workers	280	141	400,000	112,000	2.4
Hair Salon	No. of Workers	217	171	500,000	108,500	2.3
TOTAL (14 categories)			9,878		3,962,130	84.0*
TOTAL (All categories)**			11,198		4,718,510	100.0

* note: this figure is different from summing the column due to rounding.

** note: the 54 separate categories of businesses that must register for the Patent tax are listed in Annex 2.

Using Information to Help Collect and Administer the Patent Tax

According to RTO officials in Plovdiv, the existence of these small entrepreneurs is sometimes as difficult to detect as their income was difficult to determine previously. None of the local officials (municipal or RTO) could accurately determine the number of illegal (unregistered) businesses in Plovdiv. Estimates range from between 5 to 40 percent. The RTO employs a large number of inspectors (450 - 500) who are assigned the task of inspecting all categories of tax payers. But still it is felt that many go undetected because they do not advertise and are hard to find.

The RTO has an active interest in obtaining information collected by different agencies and institutions in Plovdiv to help identify the existence of small businesses and the self-employed, and which also can be used to cross check other pertinent

information about the activity. Their interest in this information is much broader than just for use in Patent tax collection; indeed, they believe that third-party information available in Plovdiv can be used for many of their tax collection responsibilities.

The RTO emphasized that their current procedure of relying on inspectors to physically inspect buildings and streets for small businesses and the self-employed is relatively ineffective. In July, 805 businesses were inspected to determine if they had registered to pay the patent tax, and a total of 40 (5 percent) were found to have evaded the process. This check was conducted by using third party information as a control mechanism for inspections. This is believed to be only a small percentage of tax objects who have evaded the process. In the South District, random, on-the-street checks (conducted without using available information as a control mechanism) only detected 0.8 percent of suspected evaders.

However, using information collected by other agencies and institutions in Plovdiv to cross-check their own information would undoubtedly lead to a significantly higher tax collection rate for the RTO, yielding more revenues for Plovdiv and the State Government. Small businesses are not only required to register to pay the Patent tax in Plovdiv. Evidence of their presence and the size of their activity also shows up in many other places as well. For example, new businesses must register with the Regional Court in Plovdiv as legal entities. All renovations and building improvements are required to obtain a building permit from the Municipal Department of Trade and Services. Small hotels and other establishments are required to obtain a license to sell tobacco and alcohol products. Changes of ownership often get recorded at the office of the Notary. Busses and taxis obtain a permit to operate with the Municipal Department of Transport.

Each of these agencies records data about the business (both small and large), and maintains records of their transactions. However, there isn't a convenient way to turn to another data base to determine if all small businesses in one category have registered to pay the Patent tax. Using small hotels as an example, if they haven't registered for the patent tax, one might turn to the data held by the Municipal Department of Licenses to detect their presence. There, the hotel might have registered to obtain a license to sell tobacco or alcohol products. However, if they aren't selling these products, they won't appear in the records of this department. No one-for-one correspondence between categories of Patent tax registrants and other information (data sets) stored by agencies operating in Plovdiv exists.

Adding to this problem is that most of these departments, agencies and other institutions do not relate well to each other as local agencies. With the exception of municipal departments, the other institutions are functions of central ministries and are

organized vertically with the central ministry in Sofia at the top. Their chains of command, missions, reporting mechanisms, etc., are all oriented toward Sofia, making interagency coordination in Plovdiv difficult and problematic.

Identifying Common Local Interests

The Plovdiv Project Team conducted a series of interviews, beginning with the RTO, attempting to identify the most important data collected by other agencies in Plovdiv that would assist them in their tax administration functions. Figure 2 below is a list of third party information identified by RTO that they feel can be used to verify the existence and in some cases other relevant data about small businesses in Plovdiv.

FIGURE 2:   3rd Party Information for Patent Tax Collection in Plovdiv

Institution	Data Set
Municipal Dept. of Transport	Permits and licenses for private companies, busses, taxis
Ministry of Interior Traffic Control	Newly bought vehicles, transfer of vehicles to other persons, transfer of registry from one region to another.
Municipal Dept. of Health	Licenses for private medical services, doctors, dentists
Municipal Dept. of Trade and Services	Permits for many occupations and trades, such as carpenters, barbers, mechanics, etc.
Municipal Building Department	Information for property tax and waste tax. Issues permits for start of construction and reconstruction. Form 16. Illegal Building. Decrees from city building committee for changes. Permits issued for use of sidewalk vendors.
Municipal Dept. of Licenses	Licenses for sale of alcohol and tobacco at establishments.
Regional Court	Company registrations, sole traders, jsc., new businesses, changed businesses. This private data exists in the company "Information Systems" in Sofia.
Fire Brigade	Permits for new business. Building inspections of 100 percent of Plovdiv's buildings.
Notary Office	Change of property. Transfer of property including vehicles. This is for vehicle tax and property tax.
Municipal Civil Registry	Deaths. For inheritance tax.

As can be seen, the data is collected by various institutions operating in the Plovdiv region, including:

Municipal departments that issue permits, licenses and collect fees.
State Government (Ministries).

Other offices that collect data which is useful to the municipality and tax office i.e., Fire Brigade, Regional Court, Notary, MOI's Traffic Control Office.

The Project Team interviewed each of the offices identified by the RTO, asking questions about available data sets, computer format, and possible needs that they might have for information stored at other agencies. While many of these data sets were found to be in electronic form, some exist only on paper. The formatting conventions of the electronic data were found to frequently differ from one another, and almost none had been input into off-the-shelf software. We inquired into the possible interest of establishing an interagency information network which would facilitate the use and access of available information. The interest was high in most agencies.

Convening an Interagency Workshop

This process of identifying useful data sets culminated in a one-day workshop conducted by the Project Team for the various agencies, and jointly chaired by the RTO and the Municipality (see Annex 3 and 4 for workshop documents). The purpose of the workshop was to bring the various agencies together (for the first time) and present them with the initial results of the Project Team: a complete list and detailed description of major data sets collected and available in Plovdiv, as well as several options for linking them in computerized networks.

The workshop was very successful and three practical agreements were reached:

Data sets were maintained, actually available to other agencies, and would be available for a local network of information.

Computer network option, the most practical to install, given the current level of computerization and technical knowledge available in the Plovdiv agencies.

Continue to meet and cooperate as a group to reach the common goal of sharing information collected by each agency for the good of the group.

Using new information gathered at the workshop, the Project Team refined the original list of data sets identified for the patent tax, and developed a complete list of data sets available and important for multiple financial purposes in Plovdiv. This list, and proposed computer network are described in detail in the report for Task 2.3 of this RFS.

Recommendations for More Efficient and Effective Patent Tax Collection

A number of ideas were explored with officials of the Plovdiv municipality and the RTO concerning raising Patent tax revenues and making the administration of the Patent tax more efficient:

Increasing patent tax rates
Raising the ceiling on the level of income that should be included in the Patent
    tax
Expanding Patent tax coverage
Becoming more efficient in discovery and enforcement
Transferring responsibility of Patent tax collection to the Municipality

■ **Increasing Patent Tax Rates.** The rates charged for the 54 different categories of business that fall under the Patent tax are largely experimental at this point. According to RTO officials, there was not an extensive rate study conducted before the law was passed. Several businesses objected strenuously to the rates at the outset, and two categories (taxi drivers, and auto repair) have been successful in lobbying for a rate change already. There are rumors that the legislature is considering other changes as well - so much so that many individuals are holding off paying their tax until the end of the year. However, several kinds of businesses (mainly retailers) are believed by local officials to be paying too little in comparison to what they would have been paying under the normal income tax rules. It is appropriate and advisable that the Bulgarian central government should conduct a one-year evaluation of the rates to determine the optimum rates for the many Patent tax categories.

■ **Raising the Ceiling on the Level of Income for the Patent Tax.** The Patent tax law established the ceiling of 75 million BGL of turnover under which businesses and the self- employed must pay this tax, rather than the income tax. It was thought that businesses below this level of income were not keeping records and not declaring their income. However, this ceiling needs to be re-examined in light of the first year of operation to determine the optimum level for the Patent tax. Perhaps the category of businesses with turnover between 75 and 100 million BGL are also not reporting expected income, and should be included in the Patent tax.

■ **Expanding Patent Tax Coverage.** RTO officials have noted that several employment categories are not included in the Patent tax schedule, including the practices of small professional service categories such as those in the legal, medical and consulting fields. RTO officials have attempted to amend the Patent tax law to include these categories but have not been successful to date.

■ **Becoming More Efficient in Discovery and Enforcement**. The discovery function of the local RTO officials would be greatly enhanced if they had easy access to information collected by a variety of agencies, municipal departments and other institutions working in Plovdiv. In that the Patent tax collection is only a small part of the entire effort of tax and fee collection, it would be advisable to include the Patent tax collection efforts in the broader financial management information system under consideration (Task 2.3 of this RFS). There are numerous aspects of the enforcement function of tax and fee administration that would be greatly enhanced by the financial management information system as well. Once registered and "known" by any of the several agencies, municipal departments and other ministries that grant permission and otherwise control activities in Plovdiv, enforcement control operations for taxes and fees could be made more efficient and deliberate as well. Standards of enforcement coverage and completeness would be easier to design, once the universe of tax objects were better known or at least suspected. This option has the added merit of being the only option discussed here within the authority of local officials.

■ **Transferring Responsibility for Patent Tax Collection to the Municipality**. The Patent tax is a subset of the national income tax. It is a widely held opinion by many local officials that the income tax is a national tax that is shared with municipalities and not vice versa. Indeed, it is a principal and vital source of national revenue in Bulgaria as well as most countries of the CEE region and the world. In discussions with RTO officials in Plovdiv, there was very little or no thought given to transferring any part of the income tax collection to another level of government. This is not the case with the other taxes and fees. Called "local taxes and fees", these revenues are commonly considered local resources, and several RTO officials expressed the opinion that they would prefer them to be collected by the Municipality of Plovdiv. In the South District, the RTO's collection and administration of these "municipal" taxes are considered a nuisance. However, transferring collection responsibilities to another level of government is a costly process fraught with difficulties (see Task 2.1 of this RFS).

ANNEX 1

LIST AND COLLECTION RESPONSIBILITY
OF PLOVDIV'S TAXES AND FEE REVENUES

Item	Collected By RTO	Collected By Municipality
Profit tax from municipal enterprises	x	
Profit tax from non-municipal enterprises	x	
Income tax	x	
Patent tax	x	
Property tax	x	
Inheritance tax	x	
Gift and transfer of property tax	x	
Vehicle tax	x	
Disposal of waste	x	
Fees for Using Kindergartens and other educational facilities		x
Fees for using nurseries and other health care facilities		x
Fees for camps and recreation		x
Fees for using social care houses		x
Fees for using quarry materials		x
Fees for technical services from the Municipality		x
Fees for administrative services from the Municipality		x
Fees for using market places		x
Fees for acquisition of grave plots		x
Fees for dog permits		x

ANNEX 2

LIST OF PATENT TAX REGISTRANTS BY ACTIVITY

Activity	Unit Measure	Number of Units	Number Registered	Tax Rate Total Per Unit (BGL 000)	Revenue (BGL 000)	Percent of Total Revenue
Hotels (1 and 2 Stars)	No. Beds	41	4	50	2,050	—
Hotels (3 and 4 Stars)	No. Beds	30	3	80	2,400	0.1
Bars	No. Seats	626	12	30	18,780	0.4
Restaurants	No. Seats	8,787	205	20	175,740	3.7
Cafeterias	No. Seats	21,300	902	12	255,600	5.4
Mobile Retail Carts (MRC)	Units	30	25	—	15,000	0.3
MRC (Food and Drink)	Units	197	117	300	59,100	1.3
Retail Shops< 20 sq. m.	Units	6,304	5,927	80	504,320	10.7
Retail Shops < 60 sq. m.	Units	253	246	200	50,600	1.1
Retail Shops < 100 sq. m.	Units	16	15	500	8,000	0.2
Retail Shops < 140 sq. m.	Units	3	3	1,500	4,500	0.1
Retail Shops > 140 sq. m.	Units	3	3	3,000	9,000	0.2
Parking Lots—Under 20	Lots	16	16	700	11,200	0.2
Parking Lots—Under 50	Lots	15	15	1,300	19,500	0.4
Parking Lots—Under 100	Lots	17	17	1,500	25,500	0.5
Parking Lots—Under 150	Lots	3	3	2,500	7,500	0.2
Parking Lots—Under 200	Lots	1	1	3,000	3,000	0.1
Parking Lots—Over 200	Lots	—	—	4,000	—	—
Wholesale Warehouses	Sq. m.	9,049	348	80	723,920	15.3
Food Production	No. wkers	420	153	170	71,400	1.5
Other Production	No. wkers	1,625	767	250	406,250	8.6
Carpenter Services	No. wkers	86	62	400	34,400	0.7
Tailor Services	No. wkers	280	141	400	112,000	2.4
Leather and Fur Services	No. wkers	8	8	400	3,200	0.1
Shoe Repair	No. wkers	112	77	150	16,800	0.4
Metal Processing	No. wkers	198	151	600	118,800	2.5
Barber and Hair Salons	No. wkers	168	142	400	67,200	1.4
Hair Salons	No. wkers	217	171	500	108,500	2.3
Beautician Services	No. wkers	57	50	600	34,200	0.7
Manicure and Pedicure	No. wkers	23	18	250	5,750	0.1
Watch Repair	No. wkers	29	29	250	7,250	0.2
Hat Making and Repair	No. wkers	3	3	180	540	—
Auto Repair	1st wker	116	116	2,000	232,000	5.9
Auto Repair	2+ wkers	93	—	500	46,500	—
Other Auto Services	No. wkers	121	102	1,200	145,200	3.1
Musical Instrument Repair	No. wkers	14	10	200	2,800	0.1
Plumber Services	No. wkers	24	21	300	7,200	0.2
Window Pane Repair	No. wkers	36	31	400	14,400	0.3
Appliance Repair	No. wkers	240	181	650	156,000	3.3
Video Cassette Rental	No. wkers	46	45	2,000	92,000	1.9
Escort Services	No. wkers	—	—	4,600	—	—
Message Services	No. wkers	15	12	1,200	18,000	0.4
Fortune Tellers	No. wkers	3	3	4,000	12,000	0.3

Activity	Unit Measure	Number of Units	Number Registered	Tax Rate Total Per Unit (BGL 000)	Revenue (BGL 000)	Percent of Total Revenue
Photographic Studio	No. wkers	18	13	600	10,800	0.2
Other Photo Services	No. wkers	49	40	450	22,050	0.5
Public Rest Rooms	No. wkers	1	1	300	300	—
Costume Jewellery	No. wkers	13	9	450	5,850	0.1
Pawn Brokers	No. wkers	2	2	3,000	6,000	0.1
Book Store	No. wkers	10	9	250	2,500	0.1
Mobile Repair	Units	41	34	10	410	—
Taxi Service	No. Vehicles	978	515	450	440,100	9.3
Bus (Under 20 Seats)	No. Vehicles	6	6	800	4,800	0.1
Bus (Over 20 Seats)	No. Vehicles	148	105	1,000	148,000	3.1
Trucking (Under 4 tons)	No. Vehicles	67	62	1,200	80,400	1.7
Trucking (Over 4 tons)	No. Vehicles	278	247	1,400	389,200	8.2

ANNEX 3

WORKSHOP AGENDA
FIRST FINANCIAL MANAGEMENT INFORMATION
SYSTEM WORKSHOP SVETI KIRIK
JULY 13, 1998

Welcome and Introduction of Participants	**Stefan and Borislav**	**10:00**	**10:10**
Presentation and Discussion of Agenda	**Borislav**	**10:10**	**10:20**
Goals of the Project	**Fred Van Antwerp**	**10:20**	**10:30**
Description of Existing Information Systems—Discussion and Concurrence	**Velli Participants**	**10:30** **1:00**	**11:00** **12:00**
Lunch	*All*	**12:00**	**1:00**
Statement of the Problem, and List of Important Information Linkages in Plovdiv—Discussion and Concurrence	**Stefan Ivanov Participants**	**1:00** **1:30**	**1:30** **2:15**
Break	*All*	**2:15**	**2:30**
Information System Alternatives and Considerations	**Scott Herman-Giddens**	**2:30**	**3:15**
Discussion	**Participants**	**3:15**	**4:15**
Next Steps	**Stefan and Borislav**	**4:15**	**4:30**

ANNEX 4

AGENDA NOTES FOR WORKSHOP
FIRST FINANCIAL MANAGEMENT INFORMATION
SYSTEM WORKSHOP JULY 13, 1998

Agenda Notes for Each Topic

Welcome and Introduction of Participants	Stefan and Borislav	10:00	10:10

Stefan will open the meeting and introduce Borislav as our facilitator. He will describe Borislav's job as: keeping us on time ensuring that the discussions are orderly - only one person speaking at a time being fair with the time allowed; everyone should have the opportunity to speak within the time allowed Borislav will take over at this point. He will ask one person from each office to introduce themselves and their "team". Stefan should introduce all of the consultants first in order to show the others how to do it quickly, taking the least amount of time possible. Stefan will establish Scott's "expert" status with respect to computer science. Borislav should explain any small details: Lena is keeping notes of the meeting, can participants use the phones to call their offices, if necessary other housekeeping matters.

Presentation and Discussion of Agenda	Borislav	10:10	10:20

Borislav should make sure everyone has an agenda and should go over each section briefly. He should ask if any one has any questions about the agenda.

Goals of the Project	Fred Van Antwerp	10:20	10:30

Fred should describe the institutional origins of this project, and what the general objectives are. He should focus their attention to the revenue aspects of the project. The main purpose is to assist local offices with being more efficient and complete with their revenue raising responsibilities.

Description of Existing Information Systems—Discussion and Concurrence	Velli Participants	10:30	11:00
		1:00	12:00

The main purpose of this section is to make sure that we understand the existing data bases that are available in each office so that we can design alternative systems that uses the data. Therefore, Villi should go through each data set from each office and describe: the kind of information, quantity, data format, and the office computer environment (do they have computers) The major data sets as we know them now are kept by the following offices: Municipal Dept. of Transport Fire Brigade Ministry of Interior Traffic Control Municipal Dept. Of Health Regional Tax Office Municipal. Civil Registry Municipal Dept. of Trade and Services Municipal Building Department Municipal Dept. of Licenses Notary Office Regional Court In the discussion and concurrence section, Borislav should assist Villi with getting agreement from each office that the description that Villi described is reasonably accurate. They can't leave until they have agreed with our description.

Lunch	*All*	12:00	1:00

Borislav should dismiss everyone for lunch, and remind them when we start again.

Thanks to Club Economica 2000 for making arrangements for the lunch.

Statement of the Problem, and List of Important Information Linkages in Plovdiv—Discussion and Concurrence	Stefan Ivanov Participants	1:00 1:30	1:30 2:15

Stefan should start by describing the problem that this project is focussing on: that these data sets exist by themselves and are not easily shared with other offices that can use them also. Offices that are responsible for raising revenues (taxes and fees) need other data to cross check against their own data to ensure that they have complete data. Next, Stefan will describe the critical links that he sees in this system - links that must be established to meet the needs of the project. Lastly, Stefan and Borislav need to lead a discussion that makes sure the participants agree that the links Stefan has described as critical are really critical, and that there are no others. These are the building blocks for the financial information system.

Break	*All*	2:15	2:30

Borislav should remind everyone to come back promptly. Remind them of the next session which will be a discussion of alternative ways to link these data bases.

Information System Alternatives and Considerations	Scott Herman-Giddens	2:30	3:15

Scott will describe several ways that these data sets can be connected by using computer systems. The alternatives will range from very simple solutions to very complex. The lower cost alternatives are in case there isn't any money to pay for the higher cost solutions. One of these alternatives will be simply to the system that Villi proposed. Scott will also introduce a way to "rate" each alternative, using criteria such as capital cost, maintenance cost, staff, training, implementation time, etc. Scott should acknowledge that he realizes that there is a preference for the more comprehensive systems but also realizes that there are no automatic funding mechanisms for the project. He might ask "naively" around the room if anyone has funding for this project.

Discussion	Participants	3:15	4:15

This is a discussion that Scott and Villi will try to lead, but will take the help of Borislav. This discussion will also be difficult to control and close. Scott and Villi need to decide how to close this session. Where does this discussion lead?

Next Steps	Stefan and Borislav	4:15	4:30

We would like to take this information and begin to make some concrete proposals about a financial management information system, including cost estimations. We hope to have a preliminary report done in early September, and a final report done by the end of September. We would like to give each office present today a draft proposal of the system for their review and comment. This will be in early September. Borislav should close the session, by thanking several institutions: Thanks to all the participants for coming today and making this session so lively and interesting. Thanks to USAID for providing the funds for this meeting. Thanks to Club Economica 2000 for making the arrangements and for providing the Bulgarian professional consulting team. Thanks to Research Triangle Institute for bringing the American professionals to this project. Thanks to Sveti Kirik for hosting our workshop today.